Office of Consumer Information and Insurance Oversight

**State Planning and Establishment Grants for the
Affordable Care Act's Exchanges**

Reporting Templates

Quarterly Project Reports

Date:

State: Arizona

**Project Title: State Planning & Establishment Grants for the Affordable Care Act's
Exchanges**

Project Quarter Reporting Period: Q2 1/1/2011-3/31/2011
Example:
Quarter 1 (09/30/2010-12/31/2010): Due January 31, 2011
Quarter 2 (1/1/2011-3/31/2011): Due April 15, 2011
Quarter 3 (4/1/2011-6/30/2011): Due July 15,2011
Quarter 4 (7/1/2011-9/29/2011): Due October 14, 2011

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Award number: HBEIE100011-01-00

Date submitted:

<u>**Project Summary**</u>
Please provide a narrative description (about 5-10 sentences) describing your progress so far in
planning activities under each core area. We would like to know what activities you have
undertaken to date and what you plan to undertake in the next quarter. Please refer to the
Reference section at the end of this template for some examples of what you could include under
each core area.

Core Areas

- **Background Research**

  The Arizona Department of Insurance designed and distributed a survey of the health plans actively doing business in the individual and small group markets. The survey is intended to determine the number of health insurers writing comprehensive medical coverage by county. The survey will also show the number of lives and written premium in the individual and small group markets and which insurers intend to participate in the Exchange. This information will be used in designing the requirements for a qualified health plan by geographic region to ensure that individuals and small businesses in rural Arizona have an adequate number of choices through the Exchange.

  Peter Burns, Burns and Associates have been retained to develop a strong baseline set of data and information on the current size and state of the individual and small group health insurance markets. The analysis will include the size and demographics of the uninsured in Arizona. The information will be used to model potential enrolment in the Exchange and in the AHCCCS program. The analysis is expected to be completed by May 15, 2011.

  Additional enrolment information in the individual and small group markets has been gathered from the six largest health plans doing business in Arizona.

- **Stakeholder Involvement**

  Internal meetings with the Arizona Department of Insurance, Arizona Health Care Cost Containment System (AHCCCS) and the Governor's office have been held to discuss various Exchange operational and design issues. The Governor's office continues to meet with individual health plans, dental plans, insurance brokers, advocacy groups and provider groups. Don Hughes, the Governor's Special Advisor for Healthcare Innovation spoke to the Arizona Association of Health Plans, an association of Medicaid health plans on the Exchange and Beth Kohler Lazare, the Governor's Deputy Policy Director spoke to the Healthy Children's Coalition on the Exchange. Additional speaking engagements have been scheduled with the Greater Phoenix Association of Health Underwriters and the Arizona Chamber of Commerce Executives Association on the Exchange.

  Work groups either have or are in the process of being formed on key core areas and business operation areas to ensure stakeholder involvement in design decisions. A questionnaire is being developed to gather additional stakeholder information on key design and operational decisions. Distribution of the questionnaire is targeted for later in April. The results will be available on the Exchange website.

  Arizona has 22 federally recognized tribes and a large Native American population in both urban and rural areas of Arizona. Because the ACA includes specific requirements regarding Native Americans, the Governor's office has begun working with tribal groups on the Exchange. Meetings have been held with the Arizona Commission of Indian Affairs, the Inter Tribal Council of Arizona, Inc and AHCCCS' committee on tribal consultation. The Inter Tribal Council is planning to form a work group to organize and coordinate involvement by Native Americans in the planning and establishment process.

Meetings continue with legislators and staff regarding the Exchange planning and establishment process. The legislative process continues to provide a forum for discussion on the Exchange with stakeholders and advocacy groups.

- **Program Integration**
  The Governor's Office continues to work closely with AHCCCS and the Department of Insurance regarding integration opportunities. The Department of Insurance has developed a scope of work to review their existing resources and capabilities compared with what will be needed in the Exchange. This gap analysis will be procured and finalized by the end of the third quarter.

  AHCCCS is working on the IT Infrastructure Gap Analysis to determine if its existing enrolment and eligibility system can be upgraded to handle the IT infrastructure needs of the Exchange and what will be needed to comply with the Exchange's IT needs. This Gap Analysis is expected to be completed early in the third quarter.

  The Governor's office is exploring opportunities for integration between the health information exchange and the health insurance exchange. Potential areas include provider directory and quality of care measures.

- **Resources & Capabilities**
  Don Hughes, the Governor's Special Advisor for Healthcare Innovation was hired in February to lead the Exchange planning and establishment activities. Consultants have been retained to perform background research, IT Gap Analysis and Insurance Regulatory Gap Analysis. Additional consulting assistance is being considered to assist in building the IT infrastructure and developing and evaluating any IT contract proposals.

- **Governance**
  HB 2666, Health Insurance; Exchange was introduced in February. A public hearing was held in the House Banking and Insurance Committee. The legislation would have established an Exchange within the Department of Insurance and would have provided for an executive board to provide policy direction on running the Exchange. The Governor's office provided input into the governance structure of the Exchange and the overall design of the Exchange sections of the bill. Because of strong opposition from conservative interest groups, HB 2666 is not going to move forward in this legislative session.

  The Governor's office is reviewing the options for establishing an Exchange without legislation. No final decision has been made on the governance structure and the Governor's office continues to consult with stakeholders on different options.

- **Finance**
  Internal meetings have taken place between the Governor's office accounting staff and the Exchange planning staff regarding establishing accounting procedures and reports for expenditure of planning grant funds and establishment grant funds. Third quarter activities will include establishing accounting and audit standards, procedures to ensure public transparency and timely reporting to the Secretary on the expenditure of Exchange funds.

- **Technical Infrastructure**
  AHCCCS has finalized a scope of work and retained Social Interest Solutions to perform an IT Gap Analysis. The Analysis will look at the current IT infrastructure used by AHCCCS and other state agencies to perform eligibility and enrolment functions and the IT infrastructure

needs of the Exchange. The Analysis will provide the basic work plan and timeline for building upon the existing infrastructure, buying a new system or deferring to a federal exchange. A web portal that will allow individuals, small employers, brokers, navigators and community groups to shop, compare and enrol in either public programs such as Medicaid, KidsCare or food stamps or in commercial health insurance will be part of the final work product.

Stakeholders have been and will continue to be included in the Gap Analysis. Meetings have been held with the health plans, brokers and consumer groups to gather input on the specific IT issues. Brokers, small business organizations and consumer groups will be involved in the third quarter to ensure that the web portal is user friendly. The Gap Analysis is expected to be completed early in the third quarter. Once completed, a work group consisting of AHCCCS, the Arizona Department of Economic Security, health plans and others will be formed to further develop the specific requirements of an IT infrastructure contract. Because of the technical nature of developing an RFP and then evaluating the response to that request for proposal, an IT consultant will be retained to assist with that work. Further staffing needs are still being developed.

- **Business Operations**
  The Arizona Department of Insurance is performing a gap analysis to determine what resources and procedures exist currently that could be either leveraged by the Exchange or serve as a model for many of the business operational functions. The report will lay out the next steps and timeline for the certification, recertification and decertification process, the quality rating system, the navigator program, the Department's role in the outreach and education process and the risk adjustment and transitional reinsurance programs. The Department has retained the services of Mercer Government Human Services to assist with this project. Work groups will be formed to ensure appropriate stakeholder input in raising and resolving operational issues in these areas.

  The IT Gap Analysis will focus on the requirements for the web site, eligibility and enrolment in commercial and public programs, determination of premium tax credits and cost sharing subsidies, individual responsibility determinations and information reporting to the IRS and individuals. SHOP Exchange specific functions such as aggregation of premium contributions from multiple sources are also being addressed in the IT Gap Analysis.

  The Department of Insurance's Gap Analysis will also focus on the following core areas; Program Integration, Health Insurance Market Reforms and Providing Assistance to Individuals and Small Businesses, Coverage, Appeals and Complaints. The Analysis will be completed by the end of the third quarter.

- **Regulatory or Policy Actions**
  HB 2666 creating an Arizona based Exchange was introduced in the Arizona House of Representatives. The Governor's office, the Arizona Department of Insurance and AHCCCS participated in stakeholder meetings in the development of that legislation. A public hearing was held in the House Banking and Insurance Committee on February 14th. While HB 2666 passed out of the House Banking and Insurance Committee, it did not pass the House because of political and policy concerns.

Barriers, Lessons Learned, and Recommendations to the Program
Please report on any issues or problems that have impacted the development and implementation of the project during the reporting period. Detail what impact any issues may have on the achievement of project targets, and set out how you plan to tackle these issues.

Like many states, the recession and the slow economic recovery has significantly reduced Arizona's tax revenue. The ongoing budget cuts have left many state agencies without the staff and resources to devote to new projects that are outside their core mission such as creating an Exchange. Even with the planning grant money, state agencies do not have the internal resources to devote to new projects. This has forced a greater reliance on consultants than was originally anticipated and has delayed implementation of some planning activities. The hiring of an executive director has enabled the planning process to get back on track.

Also provide any lessons that you have learned during this quarter that you think would be helpful to share with other states as well as any recommendations you have for the program.

N/A

Technical Assistance
Please describe in detail any technical assistance needs you have identified through your planning activities. Please be as specific as possible about the kind of assistance needed and the topic areas you need to address. Discuss any plans you have for securing such assistance.

Planning activities have identified a number of technical assistance needs. We have raised these issues with our grant officer and have scheduled a meeting with Joel Ario and CCIIO staff to address technical assistance Arizona needs to move forward with the planning and establishment process.

Specific technical assistance needs include:
- **Navigator program**. There are questions regarding what types of groups can qualify as navigators and what types of activities will they be allowed to perform. The ACA discusses assistance and relationships with small businesses and individuals but does not mention Medicaid. Will navigators be allowed to perform public outreach and enrollment for individuals eligible for Medicaid or CHIP? Arizona's state general fund continues to run a deficit. If establishment grant funds cannot be used for the navigator program, does CCIIO have an alternative funding source for 2013 and 2014 or can this requirement be waived for certifying state based Exchanges?
- **Dental Plans.** Stand alone dental plans are required to be offered through the Exchange. The qualifications for a qualified health plan don't apply to dental plans. What will the qualifications be for stand alone dental plans, can the fee or assessment imposed for Exchange operations be imposed on stand alone dental plans and will the risk adjustment programs apply to stand alone dental plans or will there need to be a separate risk adjustment program?
- **Risk Adjustment Programs.** States are required to implement a risk adjustment program and a transitional reinsurance program. To ensure that Arizona does not unnecessarily create an

Arizona specific program, we will want to incorporate any national model that CCIIO develops.

- **Native American Issues.** Arizona has 22 federally recognized tribes and a large Native American population in both rural and urban areas. Two separate tribal governments have asked if the tribe can pay for their tribal members to enroll in commercial health insurance through the Exchange. We will need additional technical assistance on this specific issue and with tribal issues in general.

Draft Exchange Budget

In order to understand state budgetary requirements moving forward, we ask that you provide a draft budget to the extent possible for Federal fiscal years 2011 through 2014. You may specify functional areas as you deem appropriate based on the types of costs you anticipate incurring. Examples of possible functional areas include personnel, other overhead, IT and systems costs, and other operational costs. When developing IT and systems cost estimates, please ensure that you separate costs for updating Medicaid systems from costs for Exchange systems.

Function	FFY 2011	FFY 2012	FFY 2013	FFY 2014

The IT Gap Analysis and the Department of Insurance Gap Analysis will both provide cost and budget information that will be incorporated into Arizona's third quarter report and level one establishment grant application. The completion of both reports and additional consultation with stakeholders will provide the necessary data to develop a comprehensive budget projection through 2014. Until those reports are completed, it is premature to propose a draft budget.

Work Plan

We ask that you begin working on a draft work plan for your Exchanges that will carry your planning and implementation efforts through January 1, 2014. On a quarterly basis, we would like to see your progress in developing this plan. We would like you to provide key objectives for implementing your exchange and corresponding milestones under each of these objectives. For your first quarterly report, please provide two milestones under each core area. In your second report, please provide four milestones. For your third report and the final report, we expect your work plan to be as comprehensive as possible.

For each milestone, please provide the following:
- **Name of milestone:**

- **Timing:**
- **Description:**

States may be creating their own work plan and/or timeline format. Please ensure that you provide the required number of milestones and that your plan goes through January 1, 2014.

The Planning and Establishment work plan and time line has been updated to reflect priority actions needed to meet the projected open enrolment period in the third quarter of 2013. More milestones will be added once the IT gap analysis and the Arizona Department of Insurance gap analysis are completed. The revised work plan and time line through January 1, 2014 is attached.

Collaborations/Partnerships
Report on who you are working with outside of your office or department, and any changes or issues in your institutional context and/or any progress or issues with your project partners (where applicable).

Additional partnerships with consumer groups, AHCCCS health plans, small employer organizations are in the process of being established. Once finalized, those partnerships will be included in the third quarter report.

- **Name of Partner:** Arizona Health Care Cost Containment System (AHCCCS)
- **Organizational Type of Partner:**
  - Health Department
  - Federally Qualified Health Center
  - Health Maintenance Organization
  - Hospital
  - Private Insurance
  - Employer
  - Employer Group
  - Other (Please specify) State Medicaid Agency
- **Role of Partner in Establishing Insurance Exchange:** Reviewing current eligibility and enrolment systems and comparing its current systems to the requirements for the Exchange under the Affordable Care Act (ACA). AHCCCS staff is providing policy and program expertise to ensure that the Exchange website and IT infrastructure can accommodate a no wrong door approach to individuals interested in enrolling in public programs.
- **Accomplishments of Partnership:** AHCCCS developed a comprehensive scope of work to conduct the IT Gap Analysis. Meetings have been held with AHCCCS key staff, the Arizona Department of Economic Security, health plans, insurance brokers and consumer advocates. An Intergovernmental Service Agreement (ISA) has been signed to enable grant funds to be allocate to AHCCCS for the required analysis.
- **Barriers/Challenges of Partnership:** None to date.

- **Name of Partner:** Arizona Department of Insurance (ADOI)
- **Organizational Type of Partner:**
  - Health Department
  - Federally Qualified Health Center

- o Health Maintenance Organization
- o Hospital
- o Private Insurance
- o Employer
- o Employer Group
- o Other (Please specify) State Insurance Regulatory Agency
- **Role of Partner in Establishing Insurance Exchange:** Evaluate ADOI's role and resources in regulating the health insurance industry and what procedures can be leveraged or adapted for use in establishing the Insurance Exchange. ADOI will provide technical expertise, research and data analysis and policy support on the Exchange core areas as needed.
- **Accomplishments of Partnership:** ADOI has developed a comprehensive scope of work to address the certification, decertification and recertification process, quality rating system, navigator program, risk adjustment programs, health insurance market reforms and providing assistance to individuals and small businesses, coverage appeals and complaints. An Intergovernmental Services Agreement (ISA) is in process to enable planning grant funds to be distributed to ADOI.
- **Barriers/Challenges of Partnership:** None to date.

- **Name of Partner:** Governor's Office of Health Information Exchange
- **Organizational Type of Partner:**
  - o Health Department
  - o Federally Qualified Health Center
  - o Health Maintenance Organization
  - o Hospital
  - o Private Insurance
  - o Employer
  - o Employer Group
  - o Other (Please specify) Health Information Exchange grantee
- **Role of Partner in Establishing Insurance Exchange:** Will provide technical expertise and assistance in the development and implementation of the health insurance exchange IT infrastructure and website.
- **Accomplishments of Partnership:** The health information exchange is developing core services such as a provider director that could be integrated into a service the health insurance exchange could use to make it easier for consumers to shop, compare and purchase health insurance.
- **Barriers/Challenges of Partnership:** None to date.

- **Name of Partner:** Inter Council of Arizona, Inc.
- **Organizational Type of Partner:**
  - o Health Department
  - o Federally Qualified Health Center
  - o Health Maintenance Organization
  - o Hospital
  - o Private Insurance
  - o Employer
  - o Employer Group

- o   Other (Please specify) Association representing Arizona's tribal governments
- **Role of Partner in Establishing Insurance Exchange:** Arizona has 22 federally recognized tribes. The Inter Tribal Council of Arizona will coordinate planning activities with the tribal governments to ensure Exchange operational issues affecting Native Americans are raised and addressed.
- **Accomplishments of Partnership:** Initial planning meetings have been held with the staff at the Inter-Tribal Council. They are developing a work group, educational materials and seminars on the Exchange.
- **Barriers/Challenges of Partnership:** None to date.

- **Name of Partner:** Arizona Association of Health Underwriters
- **Organizational Type of Partner:**
  - o   Health Department
  - o   Federally Qualified Health Center
  - o   Health Maintenance Organization
  - o   Hospital
  - o   Private Insurance
  - o   Employer
  - o   Employer Group
  - o   Other (Please specify)
- **Role of Partner in Establishing Insurance Exchange:** The Arizona Association of Health Underwriters is a state wide trade association representing health insurance agents and brokers. The association will coordinate ongoing input from the broker community on design and implementation issues.
- **Accomplishments of Partnership:** The Governor's office has held meetings with the Association's members to develop those issues that are important to individuals and small employers in purchasing health insurance. The Association's members have provided the brokers perspective on the IT Gap Analysis and website development.
- **Barriers/Challenges of Partnership:** None to date.

- **Name of Partner:** Aetna, Blue Cross Blue Shield of Arizona, Cigna, Healthnet and United Healthcare
- **Organizational Type of Partner:**
  - o   Health Department
  - o   Federally Qualified Health Center
  - o   Health Maintenance Organization
  - o   Hospital
  - o   Private Insurance
  - o   Employer
  - o   Employer Group
  - o   Other (Please specify)
- **Role of Partner in Establishing Insurance Exchange: Accomplishments of Partnership:** The Governor's office is working with the five largest health insurers in the individual and small group markets. The health insurers provide the insurer perspective on Exchange design and operational issues.

- **Accomplishments of Partnership:** A number of meetings have been held collectively and individually with these health insurers on the IT Gap Analysis and other design issues.
- **Barriers/Challenges of Partnership:** None to date.

Final Project Report
Due 11/15/2011

Project Detail

Succinctly summarize the project and what was accomplished during the entire grant period, highlighting anything that has not been reported since your last interim progress report for each of the core areas.

As succinctly as possible, summarize major opportunities, obstacles, challenges, and any changes in the project or your organization that have you encountered over the grant period. For each core area, please provide a description of the decisions that were made through your planning process. Some additional suggestions for information to include are below.

Core Areas

- **Background Research.** Please provide a summary of the research you conducted, key findings, and plans that resulted from this research.

- **Stakeholder Involvement.** Please provide an accounting of all stakeholder involvement that took place during the project period including a listing of the stakeholders you consulted. Please also include lessons learned from these consultations.

- **Program Integration.** Please provide a description of the activities you undertook to coordinate with Medicaid and other public programs in your state, the outcomes of these conversations, and any barriers you face or have overcome.

- **Resources & Capabilities.** This core area should be addressed through your needs assessment.

- **Governance.** If you have reached a decision on the governance structure for your Exchange, please provide a description here. If not, please report on your progress in this area.

- **Finance.** Please describe any activities you undertook in terms of planning for financial management, prevention of fraud and abuse, and annual auditing.

- **Technical Infrastructure.** Please provide any relevant information that you did not provide in your needs assessment.

- **Business Operations.** Please provide information on any decisions you made in the areas of eligibility determinations, plan qualification, plan bidding, application of quality rating systems and rate justification, administration of premium tax credits and cost-sharing assistance, and risk adjustment.

- **Regulatory or Policy Actions.** Please describe the enabling legislation you plan to seek and any challenges or barriers you have faced in this regard. If possible, attach your enabling legislation.

Needs Assessment

Please provide a detailed needs assessment that includes:
- A budget of projected funding needs through Federal Fiscal Year 2014
- An accounting of number of personnel needed
- A list and description of contracts you plan to award and when you plan to do so (if available)
- An assessment of the information technology builds and systems changes required to establish an operational Exchange

Function	FFY 2011	FFY 2012	FFY 2013	FFY 2014

Technical Assistance

As succinctly as possible, summarize the technical assistance that you will require in order to develop and establish an Exchange. Be sure to highlight anything that has not been reported since your last interim progress report. Please rank in order of priority/need with one being the most crucial assistance. Discuss any plans you have for securing such assistance.

Final Project Work Plan

Please provide a draft work plan that includes goals, objectives, responsible parties, costs, timeframes, and milestones for each year through January 1, 2014. For each core area of work, either those defined above or a different designation of core functional areas viewed as more useful by your state, provide key objectives and milestones for carrying out the establishment of an Exchange. We want to know how you plan to get to 2014 and the steps that you plan to take along the way. We would also like to know how you are monitoring progress toward these milestones. Please refer to the framework for listing milestones that was provided in the quarterly report template.

Final Evaluation Report

Please provide an evaluation plan to include a detailed description of data collection activities and analyses, from which the State will evaluate the progress of your Exchange in meeting your goals and the goals of the Exchange as articulated by the federal government. Please provide information on the performance measures you intend to track.

Exchange Deliverables

Submit copies of any deliverables (plans, documentation of planning activities, etc.), public recognition, press releases, or new articles that are pertinent to this project and that were received since the last progress report, if any.

Public Report

Grantees are required to prominently post progress reports about their planning grants on their respective Internet websites to ensure that the public has information on the use of funds. The Public Report must be compliant with Section 508 (see http://www.section508.gov/ for more information). The required public report includes, but is not limited to:

1. Project Summary – an overview of the grantee's activities, both planned and accomplished
2. Stakeholder Involvement – an outline of any and all opportunities for involvement to the residents of the State and other pertinent stakeholders. This includes any discussions regarding the Exchanges such as public hearings, town hall meetings, etc.
3. Budget – the total amount of the grant award and the broad budgetary categories of the award.
4. Deliverables – all press releases, news articles, public recognition, and any other documentation allowed by law for public disclosure.

In addition, it is the grantees discretion to publicly disclose any and all information in the quarterly and/or final project reports.

Reference – Core Areas

- **Background Research** – May include research to determine the number of uninsured in the State including, but not limited to, those potentially eligible for the Exchange, and those eligible for Medicaid or their employer's coverage and currently not enrolled.

- **Stakeholder Involvement** – May include a list of the stakeholders within the State who will be involved in the State's decision about whether to operate the Exchange and planning/implementation of the Exchange, including the role proposed for each stakeholder as well as agreements with those stakeholders that may be in place at this time. Developing stakeholder involvement may include a plan to gain public awareness and commitment of key stakeholders through task forces and activities in various venues to obtain stakeholders' input.

- **Program Integration** – May include a description of how an Exchange will build on existing State and Federal programs such as Medicaid and CHIP. This may also include current State activities similar to an Exchange.

- **Resources and Capabilities** – May include an assessment of current and future staff levels, contracting capabilities and needs, and information technology.

- **Governance** – May include planning for a State-run Exchange or an Exchange run by an independent entity. If an Exchange is expected to be State-run, planning could include determinations of where the Exchange would reside, what the governing structure would be, and to what departments or officials it would be accountable. If an Exchange is expected to be established through an independent entity, planning could include the development of the governance structure, appointment process, conflict of interest rules, and mechanisms of accountability. If the State is planning to coordinate with other States for a regional

Exchange, activities relating to coordination with other States to establish an Exchange, determine markets, and ensure licensure and consumer protections could be developed.

- **Finance** – May include pathways to developing accounting and auditing standards, mechanisms of transparency to the public, and procedures to facilitate reporting to the Secretary.

- **Technical Infrastructure** – May include the planning for a web portal and/or a call center to meet the increased need for consumer education, the coordination of Medicaid and Exchange-related activities, and the integration of Health Information Exchange standards for program interoperability.

- **Business Operations** – May include plans for eligibility determinations, plan qualification, plan bidding, application of quality rating systems and rate justification, administration of premium credits and cost-sharing assistance, and risk adjustment.

- **Regulatory or Policy Actions** – May include a determination of the scope and detail of enabling legislation and implementing State regulations.